

SUMMARY

Congregations Concerned for the Homeless (CCH) is a grantee under the County's Community Service Partnerships (CSP) program and a project sponsor under the Supportive Housing Program (SHP) grant received from the U.S. Department of Housing and Urban Development (HUD). The SHP grant is managed through the County's Department of Citizen Services for HUD. The FY04 grant amounts for the CSP and SHP grants are \$63,900 and \$68,736 respectively. These grant amounts are used in full each year to cover labor, lease, and administrative expenses.

We reviewed the grantee records to determine whether the services provided were in compliance with County and HUD guidelines, how funds were spent, and what internal controls were in place. We conducted our audit in collaboration with the Grants Officer from the Department of Citizen Services. The Grants Officer played an integral part in the review of documents and the preparation of this report. We found that funds were spent properly in accordance with applicable guidelines. However, it appears that documentation is lacking in key areas, and there are internal control deficiencies.

SCOPE

The Office of the County Auditor with the assistance of the Department of Citizen Services has performed a review of the grantee's CSP and HUD programs. The purpose of the review was to determine whether the services provided were in compliance with County and HUD guidelines, how funds were spent, and what internal controls are in place. To verify that funds were spent properly, we reviewed client files, revenues, and expenditures. To determine what internal controls are in place, we reviewed CCH's policies and procedures, documentation efforts, and computer applications.

BACKGROUND

Congregations Concerned for the Homeless (CCH) is the County's primary provider of transitional and supportive services to families experiencing homelessness. On July 1, 1999 the County began granting funds to CCH under the Community Services Partnership (CSP) program. In January 2001, CCH assumed sponsorship of the three-unit transitional housing project from the Shelter Foundation that is funded through HUD.

Currently, CCH owns seven units and leases three additional units through the SHP program. The main source of CCH funds is through grants from the County, the Columbia Foundation, HUD, the Community Development Block Grant, and the Maryland Affordable Housing Trust. Additional funds are secured through donations from both individuals and corporations and through fund raising events. Funds are spent on eligible clients throughout the year in accordance with project guidelines. The total agency expenditures for CCH during FY03 were \$277,872.

FINDINGS AND RECOMMENDATIONS

Documentation /Files

Four full time employees and multiple volunteers run CCH. CCH is dedicated to helping their clients, however, CCH has multiple problems in the areas of documentation and account/internal controls.

Clients are typically referred from the County's emergency shelter providers such as Grassroots Crisis Intervention Center and the Domestic Violence Center. Under the regulations established for the Supportive Housing Program, each client must have written verification of homelessness prior to their entry into the program. If the client comes through an emergency shelter, a certification of homelessness must be signed and dated by the referring agency. If the client was accepted into the program as a result of eviction, there must be evidence of the formal eviction proceeding in the case file. If the client was evicted as a result of family turmoil, a statement describing the reason for the eviction must be signed and dated by the family member evicting. CCH lacked the proper documentation for verification of homelessness in most of the files reviewed. As documentation of homelessness is one of HUD's strict requirements that could result in disallowed program costs; we recommend that:

- 1. CCH document each client's homelessness, so that they meet SHP and HUD guidelines. If CCH is unable to obtain this documentation, the client file must have an adequate explanation as to the reason and efforts made to obtain documentation.**

Agency's Response:

The emergency shelter providers utilize a referral form. CCH is currently revising that form, as well as the documentation requirements to include written verification of their homelessness. We will be sure that all files contain the appropriate documentation.

In addition, units leased through the Supported Housing Program must have records of monthly/yearly rent and documentation showing comparable rents in the area. Upon review, CCH's client files do not contain a copy of the lease or any type of documentation related to fair market rents for Howard County. To meet SHP requirements, we recommend that:

2. CCH place a copy of each lease in the appropriate client file along with documentation of fair market rents in Howard County.

Agency's Response:

CCH has maintained separate housing and client files; the housing files contain the lease information. We will merge files to comply with the above. We will also make copies of the fair market rents in Howard County and place in each file.

Also, documentation of both house inspections and compliance with the Lead-based Paint Poisoning Prevention Act is required to be retained in each client file. Although CCH makes regular inspections of the units to ensure that the clients are keeping them in good condition, there is no documentation in any of the client files. To meet this documentation requirement, we recommend that:

3. CCH keep records of house inspections including lead-based paint determinations in each pertinent client file. These records could include a checklist prepared by the inspector during house visits.

Agency's Response:

Documentation of both house inspection and compliance with lead based Poisoning Act, inspections, etc. These are all in the Housing files that we will merge with the client files.

Additionally, CCH is responsible for linking clients with other community resources for assistance. Although CCH is assisting their clients with outside resources, there is no documentation that this actually occurs. As HUD emphasizes assisting clients who are homeless with mainstream resources, better documentation is needed to validate this activity. Currently, the County is planning on implementing Service Point, a homeless information tracking system. All providers of emergency and transitional housing must participate in implementing the system. Service Point will help CCH to identify, link, and track mainstream resources and other supportive services received by the client. Therefore, we recommend that:

4. CCH maintain documentation of any mainstream resource assistance given to clients until the Service Point system is available for use.

Agency's Response:

CCH has prepared a tracking form for referrals. This form will be placed in each client file listing the referral, date and outcome.

Clients can remain in a house for up to two-years. As new clients enter into the program a new file is created with new documentation standards. To ensure that housing documentation is not lost when a new client file is created, we recommend that:

5. **CCH keep a supplemental housing file for each of the seven (7) owned and three (3) leased units that consists of all documentation related to leases, inspections, and client history.**

Agency's Response:

We do have a separate housing file system that contains bills, repair information, lease, inspections, as we merge files we will also place a copy of the client application in the housing files.

Accounting/Internal Controls

As part of the grant programs, CCH is required to submit a quarterly report to Citizen Services on program goals/accomplishments and expenditures. Until recently, this report has been consistently late. The major reason for the delay is the expenditures, which, until the 4th quarter 2003, were accounted for manually. In the 4th quarter 2003, CCH was able to utilize accounting software to expedite this process. As this accounting process is new, we feel that several changes could streamline quarterly reporting and improve the accounting policies.

First, CCH receives their two grants in two separate manners. The CSP grant through the County is divided into quarterly grant payments. CCH then sends expenditures on a quarterly basis up to the full grant amount by year-end. The SHP grant through HUD is paid through a reimbursement process. Whenever CCH has accumulated expenses, CCH sends an expenditure report to be reimbursed by the County, which manages the HUD grant. The County is then reimbursed as a result in the amount of these expenditures. The problem with the reimbursement process is that CCH runs out of funds too quickly and repeatedly requests advances. In order to avoid fund shortages and make this process more efficient, we recommend that:

6. **The County fund SHP grants in a quarterly manner in the same way that CSP funds are dispensed.**

Office of the County Auditor

Department of Citizen Services Response:

Citizen Services can advance the SHP quarterly, as it has enough spending authority. CCH needs to take responsibility to bill early enough that they are not in a cash flow crisis. By advancing the money, this does not mean that CCH does not have to provide Citizen Services with a quarterly accounting of what is spent. The County cannot draw down the funds from HUD until after the quarter is over and it has a fiscal report from CCH. HUD pays in arrears. The grant period for SHP is February 1 – January 30. Therefore, the fiscal reports are due on or before June 1, September 1, December 1, and March 1. It is imperative that Citizen Services have the fiscal reports promptly so it can draw down from HUD.

Second, HUD guidelines strictly state that expenditures for labor be documented in a manner to identify specifically how much time is spent on each client. HUD guidelines specifically state that percentage of time is not an allowable measure. CCH has always kept detailed notes on time spent with clients. Originally, these notes were utilized for expenditure purposes in developing labor costs. Over the first couple quarters, CCH noticed a percentage trend in hours spent on clients, and for ease of calculation, placed expenditures for labor on a percentage basis. As this is an unallowable method of calculating labor expenditures under HUD guidelines, we recommend that:

7. CCH document labor hour expenditures by manually calculating the hours spent on each client.

Agency's Response:

CCH maintains detailed records of time. Therefore, we will be able to allocate hours appropriately.

Third, expenditures for each grant program should be easily identifiable and clearly linked to a client or housing unit. For our audit purposes, we examined records for expenditures from the transfer of the program in 2001 until the present time. We were able to trace the receipts from the deposit slips to the SHP expenditure reimbursements and CSP quarterly

advances. However, expenditures were not identifiable as to the client/unit, only to the program. Most SHP expenditures can easily be classified as lease, labor, or administrative expenditures. However, in some instances, utilities and other bills were being paid and included as expenditures. Only by utilizing the new accounting system, were we able to clearly see which expenditure related to a specific client/unit. In order to more easily document the expenditures for each client/unit and ensure compliance with SHP regulations, we recommend that:

8. **CCH develop a spreadsheet that lists all client expenditures for each unit for the year. This spreadsheet should be updated frequently to ensure that expenditures can be seen on a current basis.**

Agency's Response:

CCH currently uses Quick Books and is able to print a complete housing expenditure report for each home. As we pay bills, the new expenditure is automatically entered into the housing address. We can do this at the push of a button and get detailed information.

9. **CCH develop a filing system for all old expenditures prior to the accounting systems initialization. This could be done by entry into the accounting system or through a detailed filing system, where each house has an expenditure file that is classified by client.**

Agency's Response:

As stated previously, CCH maintains a separate expenditure file in the Housing file, by address. We could separate the expenditures by client simply by going back to the time each client was admitted to the program and creating a separate file for each client.

Fourth, HUD guidelines require that the SHP grant be closely monitored for any instance where an actual expenditure total exceeds the budgeted amount by 10% and that actual operating expenditures for the SHP grant not exceed 80% of the total amount used by CCH. CCH has not had any instances of either case so far, but because the possibility exists, we recommend that:

10. **CCH continue to closely monitor both the 10% and 80% threshold for budget changes and operating expenditures, respectively.**

Agency's Response:

CCH staff run monthly reports for each class (grant), thereby allowing us to monitor any changes and make adjustments according to the requirements.

Finally, CCH has accounting policies in place to ensure that operations run smoothly. Upon further review, the accounting policies in place are satisfactory, but they do not cover all areas. CCH's accounting policies only cover expense requests, credit card payments, personal loans, and equity line of credit requests. While this is a good start, more internal control related policies need to *IF* be addressed. Examples of policies that need to be addressed include those recommendations made by Farmer and First, P.C. while performing their audit of CCH in 2001. While CCH performs a monthly reconciliation of their accounts and addresses sales tax issues, these procedures are not noted in the accounting policies outline. Therefore, we recommend that:

11. CCH address and adhere to the ideas of a chart of accounts, sales tax, reconciliation of accounts, capitalization, and separate payroll accounts, in their accounting policies.

Agency's Response:

CCH is currently taking steps to do so. Staff is attending a Quick Books training to determine the capabilities of the system prior to implementation; the purchase of updating our system to Quick books 2004 is planned; a new Treasurer (CPA) will be brought on board to help us set up the policies and procedures.

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